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MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

*New Delhi, the 5th December 1960*

**No. 3(12)-TEX(A)/60.**—The question of fair prices which should be charged by the cotton textile industry to the trade and the prices which the trade should in turn charge to the consumers has assumed considerable importance in recent periods. The prices of cotton textiles were under complete control (in regard to prices, distribution etc.) during the War and post-war period until the lifting of such controls in the middle of 1953; thereafter the prices were governed by the normal conditions of supply and demand till the end of 1955. During the first half of 1956, the prices shot up to high levels and Government had to step in by resorting to an increase in excise duty to remedy the situation.

2. In the latter half of 1957 and in 1958 the industry was faced with a different problem of accumulation of stocks and particularly marginal units were reported to be experiencing difficulties. A committee of enquiry was appointed to enquire into the problems and suggest remedial measures. On the basis of their interim recommendations, a re-adjustment of the rates of Excise Duty was done which improved the position.

3. For nearly over a year, the prices for cotton textiles has been increasing causing undue hardship to the consumers. Even after taking into consideration the difficulties faced by the industry in securing essential raw materials like cotton and other factors affecting the manufacturing costs, it became clear that the prices were unaccountably high requiring immediate measures to bring down and hold the price-line.

4. At the suggestion of the Government the Indian Cotton Mills Federation issued a warning as early as January, 1960 proposing certain measures to bring down the prices. This warning had, however, only a transitory effect and the prices started going up again to further high levels. The extent of the increase has not, however, been uniform in the several units of the industry as each unit adopts its own pattern of price fixation. The industry has contended that a large slice of this increase was legitimate on account of the increase in the cotton prices and in the wages on account of award of the Wage Board; the mills also claim that they should be allowed to charge extra margins to recoup their past losses.

5. Broadly the industry, through the Federation have urged that as compared with the basic period August, 1959, just before the commencement of the cotton season 1959-60 there is a legitimate case for increase in prices of cloth, coarse by 25 per cent, lower medium by 22 per cent, higher medium by 18 per cent, fine by 11½ per cent and superfine by 9 per cent.

6. The impact of these increases on the consumers is one of great hardship to the general public and also to the large number of persons employed in the hand-loom industry.

7. Government, therefore, consider that in the circumstances the several aspects affecting the problem of cotton textiles and prices may be referred to the Tariff Commission under section 12(d) of the Tariff Commission Act, 1951 for a full enquiry and report. The Commission is accordingly requested to report on the following specific aspects which will form the terms of reference:—

- (i) the cost of production of the various representative types of cloth and yarn;
- (ii) the capital structure, investments and fair return thereon bearing in mind the need for continuous rehabilitation and modernisation and what would be a fair return to allow to the industry over the cost of production;
- (iii) fair ex-mill prices of cloth and yarn.

8. The Commission is also requested to devise methods for effecting suitable adjustments from time to time in the fair ex-mill prices of cloth and yarn so as to allow for major fluctuations in the price of raw cotton and other elements of cost of production; and to enquire into the distribution cost for cloth and yarn in the country with reference to all relevant factors including the present pattern of sales adopted by the different units of the industry and to devise a reasonable basis for the determination of fair retail prices for cloth and yarn.

9. Firms or persons interested, who desire that their views should be considered by the Tariff Commission should address their representations to the Secretary, Tariff Commission, Central Government Offices Building, 100, Queen's Road, Bombay-1.

#### ORDER

Ordered that the Resolution be published in the Gazette of India.

Ordered also that a copy of the Resolution be communicated to all concerned.

S. RANGANATHAN, Secy.